

## **REMARKS**

Claims 1 and 8 have been amended. Claims 1, 3-8, 10, 11, 13-17 remain pending in this application.

Applicant has reviewed the examiner's comments and suggestions in connection with this application. Applicant appreciates the examiner's effort to provide guidance to him in support of placing the application in condition for full allowance.

### **I. Objection to Specification**

The office action states that the specification is objected to because it does not tie the method to an apparatus or system. As per the examiner's suggestion, applicant has amended a number of paragraphs in the specification to call for the use of a computer, including a storage device and database thereon, which performs the method of the invention.

Applicant submits that the specification is now clear.

### **II. Rejection of Claims Under Section 101**

The office action states that the invention is directed to non-statutory subject matter and does not comply with Section 101. In accordance with the examiner's suggestions, a computer (with storage device and database) is set forth in the claims to perform the steps in the claimed method.

Applicant submits that the claims, as amended, now complies with Section 101.

### **III. Allowable Subject Matter – Suggested Claim Amendments by Examiner**

The examiner states that the claimed subject matter is allowable over the cited prior art. In connection with placing the application in condition for full allowance, the

examiner has also made a number of suggestions for amendments to the claims, particularly independent claim 1 and 8. For clarity, each of these suggested claim amendments are addressed individually below.

A. Elaboration on Step of Grouping the securities in one the Sectors

The examiner has suggested adding the language of “having uniquely similar levels of patterns of investment risk”. Accordingly, applicant has revised claim 1 to include this limitation (see claim 1, lines 11-12). Such language was already present in Claim 8.

B. Limitations of Claim 3

The office action suggests that the limitations of dependent claim 3 should be incorporated into both independent claims 1 and 8. Claim 3 requires that the number of market sectors is five.

The examiner states that this amendment should be made because it is very important that if the number of possible combination alternatives is not great enough, the present invention could be done mentally and such mental process would be natural to one of ordinary skill in the art.

It should be noted that Claim 3 is a dependent claim of Claim 1 and its use is only explanatory in nature and is included as a necessary disclosure of the implementation of the invention so that others may use it. Including the features of claim 3 in Claim 1 would limit the application to only those populations of allocation alternatives made from only 5 market sectors would unnecessarily limit the scope of applicant’s claimed method. Clearly, the method of the present invention can function equally well with less than (e.g. 4) or more than (e.g. 6) than the five sectors in claim 3. Applicant submits

that less than 5 sectors could not possibly be computed mentally without the aid of a computer in view of the possible thousands or more of data items and calculations. Applicant does not believe that this change is necessary to overcome the prior art.

Further, if applicant grouped his population of the available investments into 5 market sectors and then only considered the pair-wise combination of two sectors each as 50:50 allocations, he would only need to calculate the relative returns for (10) alternatives and could conceivably make those calculations without the brute-force process based on a computer.

Therefore, does not believe that amending the independent claims to include the limitations of claim 3 is necessary.

#### C. Limitation Regarding 10,626 Allocation Alternatives

The examiner also suggests amending the independent claims to require that there are precisely 10,626 allocation alternatives to the population, as found in claim 12. Applicant submits that to specify precisely 10,626 allocation alternatives is unnecessarily limiting and is not necessary to overcome the prior art.

Applicant submits that to ensure that his process applies only to those instances when a brute-force computer-aided database process is necessary requires a limit that is calculated as the product of the number of market sectors, the minimum allocation percentage increment and number of analysis time periods used in the process. Accordingly, claims 1 and 8 have been amended to call for a minimum number of allocation alternatives arrived at as the product of these three factors. Applicant submits that claims and 8 with these limitations clearly overcomes the prior art.

#### D. Publicly Traded Stocks and Bonds

The office action suggests that claims 1 and 8 include the limitation that the performance data is publicly traded stocks and bonds.

Applicant notes that publicly traded stocks and bonds are only a subset of the types of investments sold in a public offering (referred to as “publicly-offered”) by issuers of securities, and that publicly-traded securities are that subset of the types of investments sold in a public offering of securities which trade on a secondary market between investors after they have been issued, usually on an exchange, such as the New York Stock Exchange. These publicly-offered securities include stocks and bonds sold to the public that are not traded in a public market after their sale, such as for reasons of volume, cost, demand or issuer-preference do not get listed on an exchange, or for which for demand and volume reasons the securities brokerage community declines to make a public trading market.

Bonds issued by small municipalities, foreign securities, REITs, partnerships and investment funds, mortgage and other credit-backed securities and trusts, are a few examples of these types of securities. Also, for the securities issued in applicant’s primary market, namely mutual funds, investors are forbidden by regulation from after-sales trading of their holdings on a public or private market basis where their only recourse once they decide to no longer hold their mutual fund shares is to sell those shares back to the issuer at book-value. Paragraph [60] in my Application discusses these points.

Congress passed the Securities Act of 1933 to regulate the activities of issuers of publicly-offered securities. The drafters of this Act included the following definition of a securities issue:

“any note, stock, bond or evidence of indebtedness, interest or participation in a profit-sharing agreement, investment contract, voting trust certificate, fractional interest in mineral rights or warrant to subscribe to or purchase any of these.”

The Securities and Exchange Commission (SEC) and various State Securities Divisions are responsible for supervising issuers of publicly-offered securities under this Act. Over the years, they have expanded this definition to include other investment instruments, such as variable annuities, and mortgage-backed securities, as they have moved to regulate these other instruments.

The method of the present invention provides an analysis tool to owners of investment portfolios where the assets of these portfolios are made up of all these instruments. Applicant is not interested in applying the present method to investments not offered through this Act because the raw data needed for the current method, namely the data of periodic investment returns, is regulated to be standard and consistent only for securities issued through the Act. It is the only data that has historically been clean enough for this approach.

In view of the foregoing, applicant submits that the language of “public traded” is not appropriate or accurate. Instead, the language of “publicly offered” is accurate and therefore appropriate for inclusion in independent claims 1 and 8.

E. Efficiency-Line

The examiner has suggested that details concerning the plurality of allocation alternatives residing along an efficiency-line be added to the independent claims. Accordingly, applicant has made this suggested amendment to claims 1 and 8.

**IV. Conclusion**

Applicant submits that Claims 1, 3-8, 10, 11, 13-17, as amended, are fully allowable over the cited prior art. In view of the above, Applicant submits that pending Claims 1, 3-8, 10, 11, 13-17 are now in condition for allowance. Reconsideration of the Rejections and Objections are requested. Allowance of Claims 1, 3-8, 10, 11, 13-17 at an early date is solicited.

If an extension of time is required for timely submission of this response, Applicant hereby petitions for an appropriate extension of time and the Office is authorized to charge Deposit Account 02-0900 for the appropriate additional fees in connection with the filing of this response.

The Examiner is invited to telephone the undersigned should any questions arise.

Respectfully submitted,

/david r. josephs/

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